

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.15 – July 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- Over the past two weeks, WTI Crude Oil is down 1 % to a spot price of \$81.98/barrel, Naphtha (Japan) is down about 2% to a spot price of \$700/mt, and Propane (Mont Belvieu) is down about 6% to a spot price of 78 cents per gallon. WTI crude oil prices have been consistent between \$75-\$85/barrel for the first half of 2024.

Propylene/Polypropylene

- The physical PGP prices continue to increase as supply tightness remains the dominant market force. Physical PGP prices are up 3% the past two weeks to a spot price of 52.5cpp from 51cpp two weeks ago.
- When Hurricane Beryl's path shifted from the eastern coast of Mexico towards the greater Houston area, the storm had a direct impact on US Gulf Coast petrochemical production. There were some issues (mostly minor) at three PDH units (Dow, Invista, and Enterprise PDH 1) and some PP producers had to shut down or run at reduced rates (Braskem, LYB). What was an already snug PGP market became even tighter after Beryl's impact. According to ICIS data Hurricane Beryl impacted approx. 6.6 bil pounds of PGP and 2.2 bil pounds of PP capacity.
- BlueClover's view that PGP prices would dip into the low 40s this summer was proving wrong before Beryl and our odds of success have plummeted. This sustained rally in PGP pricing is forcing BlueClover to revise our near term estimate higher for PGP prices but we still do expect contract PGP to reach into that 42-44cpp price level later in the year.
- Our most recent estimate was that contract PGP would average between 42 and 44cpp for the combined July-August average. However, our current forecast for July contract PGP is 54cpp which would be an increase of 6cpp from June. There would need to be an absolute freefall in PGP pricing in August to come close to our prior estimate of 42-44cpp for the July-August average. BlueClover is estimating August contract PGP pricing at 52cpp which would put the July-August average at 53cpp. If this were to materialize it would be 10cpp higher than what our guess was a month ago. Clearly we were wrong.

Market Update

Propylene/Polypropylene (cont'd)

- BlueClover is anticipating contract PGP prices to average 46cpp in the Sep-Dec timeframe with one or two months in that stretch seeing contract PGP pricing at or lower than 44cpp. We continue to hold our view that the contract PGP low price has yet to be set for the 2024 calendar year; we just had to push the timeline out. This view continues to run counter to most industry analysts who feel the contract PGP low price for 2024 was set in May at 46cpp.
- For right now the hurricane picture is quiet but many weather pundits continue to call for an active hurricane season.
- PP imports jumped higher in June as a result of freight rates increasing out of China. China freight rates have more than doubled since mid April. This gave the US market a chance to sell PP into regions like Latin America which created more demand for PP in May and June. The freight rates remain elevated but PP prices in China are dropping which will hurt the ability of the US PP market to export especially since US PP prices are increasing. See Trader Toolbox on page 5 for how much China impacts the global PP market.
- Several PP producers have sent out margin increases calling for a 3cpp increase between the contract PGP and contract PP price starting in July.
- Overall PP prices have been increasing with monomer. Physical PGP prices are up 10cpp from their 2024 low point in early May and widespec PP prices are up about 6-8cpp over the same time period. Widespec PP product is relatively tight out there with widespec Copolymer PP being extremely tight.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of July 17</u>	<u>Price as of July 2</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	84.66	86.35	USD/barrel
WTI Crude	Cushing, OK	81.98	82.85	USD/barrel
Natural Gas	Henry Hub, LA	2.13	2.43	USD/MMBtu
Naphtha	C&F Japan	700	713	USD/mt
Ethane	Mont Belvieu, TX	16.625	16.375	Cents/Gal
Propane	Mont Belvieu, TX	78	83.5	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	28.125	25	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	52.5	51	Cents/Lb

HERO GREEN™ - PP Recycled Grades

Please click the link [here](#) to see the full line card.

TRADER TOOLBOX – How Chinese PP Capacity is Impacting Global Trade and PP Supply

Below is a link to an article that come out in late April 2024:

<https://www.icis.com/asian-chemical-connections/2024/04/chinas-96-q1-surge-in-pp-exports-mirrors-wider-export-push-as-trade-tensions-build/>

The above piece is extremely thorough how highlights how expansive Chinese PP production has become and how it has impacted global trade.

Some highlights:

- Chinese PP capacity as a percentafe of local demand went from around 95% in 2019 to 130% in 2024 and is estimated to approach 140% by 2026.
- China's PP year on year demand growth has flatlined around 1 to 3% from what was 7-9% in 2020 and 2021.
- Total Chinese PP exports doubled from the 1st quarter 2023 to the 1st quarter 2024.
- Chinese PP exports have increased to regions once dominated by US PP exports such as Brazil, Peru and Mexico. In the 1st quarter of 2024 China exported 40 mil pounds into Mexico. This is 200 railcars worth of volume over 1Q and 800 railcars over 1 full year. In the 1st quarter of 2023 it was less than 16 mil pounds.

As always great work by John Richardson and his team at ICIS.



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